Stephen F. Austin State University

Contract Administration Audit

As of December 31, 2025

Audit Report 26-102

Department of Audit Services

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

BACKGROUND

The Department of Audit Services has completed an audit of Contract Administration. For the purposes of this audit, contract administration encompasses all activities from the solicitation of a contract through to the completion and acceptance of the contracted work, monitoring of deliverables, final payment, and resolution of any disputes.

The University's Handbook of Operating Procedures (HOP) Policy 05-302, *Contracting and Purchasing Authority*, states, "All contracts executed by the university, unless specifically exempted by the president, must be reviewed and approved through a formal process and in accordance with Regents' Rules and Regulations and UT System (UTS) Policy." In addition, HOP 05-302 provides that the procurement department, under the supervision of the Assistant Vice President of Procurement and Business Services, who reports to the Vice President for Finance, has sole authority for the negotiation and purchase of all goods and services for the University with the exception of items restricted by UTS Policy and certain specific delegations.

HOP 05-302 states, "The university adheres to a policy of centralized purchasing for the purposes of:

a. ensuring compliance with state and federal laws, rules, and regulations;
b. protecting the university from unauthorized acquisitions of supplies, equipment, and services;
c. providing budgetary control and coordination;
d. ensuring fair and ethical business practices;
e. ensuring the effective implementation of the Historically Underutilized Businesses (HUB) program;
f. providing savings through consolidation of requirements and standardization of products where appropriate; and
g. providing Best Value Procurement (05-301) through various purchasing methods."

Although the University adheres to a centralized purchasing policy, once a contract is executed, many responsibilities are shared between procurement and the individual units. The University's *Contract Management Guide* (The Guide) provides the following:

- Contract Administration – processes that occur after a contract is executed. The Guide states, "The goal of contract administration is to ensure the contract is satisfactorily performed and the responsibilities of both parties are properly discharged."
- Monitoring Performance – The Guide states, "The purpose is to ensure that the contractor is performing all duties in accordance with the contract and for SFA to be aware of and address any developing problems or issues."

AUDIT OBJECTIVE(s) and SCOPE

The objective of this audit was to gain assurance that the system of internal controls is adequate and appropriate for effective contract administration and compliance with selected provisions of the selected contracts.

The audit scope included University contracts that were active or commenced on or after September 1, 2023, and related financial transactions through fiscal year 2025. The following contracts were selected for testing:

Contract	Purpose
Canopy Education, Inc. dba CollegeVine	AI Recruiter Subscription, including Transcript Processing Tool
Coca-Cola Southwest Beverages, LLC	Pouring Rights, including Beverage Vending Machine Services
Compass Group USA, Inc. through Chartwells Division	Dining Services
J. Tyler Services, Inc.	Acquisition of Furniture
Learfield Communications, LLC / Lumberjack Sports Properties, LLC	Multimedia Rights Agreement
Ludco, Inc.	Construction Services, Electrical Renovation – East College
Nouveau Technology Services, L.P.	Construction Services, Demolition of East College Dining Hall
Siemens Industry, Inc.	Energy Savings Performance Contract
TeamDynamix Solutions, Inc.	ITS Software, IT Service Management
Under Armour, Inc	Exclusive Outfitter Provider

SUMMARY OF RESULTS

We gained assurance that the University's internal control systems are adequate and appropriate for effective contract administration and are generally in compliance with selected provisions of the selected contracts. While performing our audit, we noted opportunities to strengthen controls, enhance compliance, or improve processes. Additional details can be found in *Details of Audit Observations*.

Observation(s)	Rating*
1 – Contract Monitoring – Chartwells	Medium
2 – Contract Terms – Collegiate Licensing Company	Medium

** See Appendix 1 for Observation Rating descriptions*

ACKNOWLEDGMENTS

We appreciate the assistance provided to us during our audit by the Division of Enrollment and Student Engagement, Office of Procurement and Business Services, Information Technology Services, Intercollegiate Athletics, and Facilities Services & Campus Operations.

6/10/2026

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DETAILS OF AUDIT OBSERVATIONS

Observation 1: Contract Monitoring - Chartwells

Background: The University's *Contract Management Guide* states, "The purpose [of monitoring contracts] is to ensure that the contractor is performing all duties in accordance with the contract and for SFA to be aware of and address any developing problems or issues."

Observation: During our audit procedures, we noted that effective monitoring of the Chartwells contract is not documented and does not appear to be performed on a routine basis. This includes performance expectations, use of in-kind contributions, and the various revenue/expense transactions.

Observation Rating: Medium

Recommendation: The University should strengthen contract monitoring for the Chartwells agreement to ensure compliance with contract provisions and acceptable vendor performance.

Management Response: The University will review prior reporting to close gaps and re-establish and implement a structured contract monitoring framework to ensure that Chartwells performs all duties in accordance with the agreement and that any issues are identified and addressed in a timely manner. This framework will emphasize clear performance expectations, systematic review of financial activity, and transparent tracking of in-kind contributions to support effective stewardship of institutional resources.

Responsible Party: Senior Vice President of Enrollment and Student Engagement

Implementation Date: August 31, 2026

Observation 2: Contract Terms – Collegiate Licensing Company

Background: The University entered into an agency agreement with Collegiate Licensing Company, LLC (CLC) in September of 1999. Since execution, there have been four amendments to the contract with the most recent amendment, amendment four, being executed on January 17, 2024.

The University began working with the UTS Brand, Trademarks and Licensing Office in the summer of 2024 relating to the operating arrangement with CLC.

Observation: During our audit procedures, we noted that the most recent contract amendment, amendment four, with CLC, includes the following language relating to the payment terms, "With regard to Annual Revenue, CLC shall be entitled to retain…". Whereas, the original contract language for the payment term reads, "With regard to Annual Revenue received by CLC…CLC shall pay to the University…". The applicable percentage shares were not aligned with the language change; however, it appears that the University has been receiving the correct share despite the language change in the amendment.

In addition, the signing bonus of $100,000, included in amendment four, was paid by CLC via check issued February 2, 2024, but has not been deposited by the University.

Observation Rating: Medium

Recommendation: The University should work to resolve terms and receipt of signing bonus with vendor and/or UTS.

Management Response: The University will work to resolve terms and receipt of signing bonus with vendor and/or UTS.

Responsible Party: Vice President and Director of Athletics

Implementation Date: August 31, 2026

APPENDIX 1 SFASU AUDIT SERVICES OBSERVATION RATINGS

Audit Services uses professional judgment to rate the audit observations identified in audit reports. The audit observation ratings are determined based on the risk or effect of the issues in relation to the audit objective(s), along with other factors. These factors include, but are not limited to, financial impact; potential failure to meet area/program/function objectives; level of compliance with laws, regulations, and other requirements or criteria; adequacy of the design of control activities and information system activities; level of potential fraud, waste, or abuse; control environment; history of audit issues; and other pertinent factors.

The table below provides a description of the audit observation ratings used by SFASU Audit Services.

	SFASU Audit Services Observation Ratings
Rating	**Description**
Priority	The audit observation presents risks or issues that if not addressed could critically impact the University as a whole or the area/program/function audited. Immediate action is needed to address the audit observation. Priority observations are reported to the UT System Audit, Compliance, and Risk Management Committee.
High	The audit observation presents risks or issues that if not addressed could substantially impact the University as a whole or the area/program/function audited. Prompt action is needed to address the audit observation and reduce risks to a more desirable level.
Medium	The audit observation presents risks or issues that if not addressed could moderately impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation and reduce risks to a more desirable level.
Low	The audit observation does not present significant risks or issues that could negatively impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation.

Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or pre-exit meeting.

APPENDIX 2 AUDIT METHODOLOGY AND CRITERIA

METHODOLOGY

We performed our audit in accordance with the *Global Internal Audit Standards* and *Generally Accepted Government Auditing Standards* (GAGAS). The standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for findings and conclusions based on our audit objectives. The Department of Audit Services is independent per both standards for internal auditors. Auditors communicated other, less significant issues separately to university management.

The audit methodology consisted of performing a risk assessment; reviewing applicable policies, procedures, laws, and best practices; assessing internal controls; interviewing appropriate University personnel; risk-based contract testing; evaluating opportunities for fraud to occur; relying on previous work performed; and performing other procedures as deemed necessary.

CRITERIA

Audit criteria include, but are not limited to:

- University of Texas System policies.
- University procedures.
- Contract terms specific to the audited contracts.
- Texas Education Code §51.9337, *Purchasing Authority Conditional & Required Standards*.
- State of Texas Procurement and Payment regulations.
- Other sound higher education contract management guidelines and practices.